

An IPS Pro

Norman Boone's expertise on investment policy statements powers his software product-and his advisory practice.

By Jim Grote
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Norman Boone has an impeccable resume. Founder and president of Bay Area-based Mosaic Financial Partners, Boone earned his CFP certification in 1984 after an undergraduate degree from Stanford and an MBA from Harvard. He served in the first class of directors elected to the national board of the FPA. And he has been included as one of America's Best Financial Advisors by the Worth/Robb Report every year since the list's inception in 1994.

THE IPS EDGE

But it's not his credentials that set him apart; it's his flair for innovation. In addition to managing Mosaic, which has offices in San Francisco and Lafayette, Calif. Boone, with spouse Linda Lubitz Boone, founded IPS AdvisorPro, an online software application that helps advisors create customized investment policy statements (IPSs). Lubitz Boone has her own Miami-based advisory practice, which provides Boone with additional ways to serve East Coast clients.

IPS AdvisorPro facilitates two crucial functions for advisors. First, it helps them comply with the law. Second, it enhances and clarifies the mutual understanding between client and advisor. Quips Boone: "Well-crafted investment policy statements help clients avoid surprises and help planners avoid lawsuits."

Today, IPSs are considered a best practice. "What many busy planners fail to recognize is that these IPSs are legally mandated for virtually all fiduciary relationships, including qualified plans, irrevocable trusts, endowments, charitable trusts and foundations," Boone says. His own clients include several endowments and corporate retirement plans.

While there is no legislation mandating an IPS for individual clients, Boone notes that, in some districts, the SEC is asking to see the IPS between particular clients and their RIA. He suspects that the IPS will increasingly become a factor in audits of client records.

TAKING IT HOME

Boone's IPS software has helped him streamline his own practice, limiting liability, providing clarity for clients and simplifying compliance. His firm manages over \$335 million for 200

clients with average investable assets of \$1.7 million. Mosaic and its staff of 12 are strictly fee-only. The firm charges 1% of the first \$2 million in AUM, 0.7% of the next \$3 million, 0.5% of the next \$5 million and 0.3% on assets above \$10 million. The minimum annual fee for clients is \$15,000. In addition, new clients pay a first-year planning fee that typically runs anywhere from \$8,000 to \$20,000, based on projected time requirements and hourly rates.

The first-year client experience is thorough. New clients attend a series of two-hour meetings that cover over a dozen topics. For clients with over \$1.5 million in AUM, there are no additional financial planning fees for ongoing planning beyond the first year.

Each client has a unique IPS, and the investment philosophy emphasizes low-cost, well-diversified passive strategies, spiced with a few actively managed funds and alternative investments. In general, Boone prefers ETFs to index funds.

NEW IDEAS

Boone is pushing the envelope in two new areas. He's seeking to merge with other firms to take advantage of economies of scale, specifically excess capacity in Mosaic's investment department. The firm also built out its administrative infrastructure, positioning it to manage the business side of a larger combined firm.

Boone's growth target is \$500 million in AUM by 2011 and \$1 billion by 2014, either through new client acquisition, new advisor hires or M&As. In the meantime he launched the Mosaic Family Business Center to assist multigenerational family businesses with strategic planning, business succession and leadership training. "We have the privilege of creating more effective methods to help our clients achieve their goals," he says. "We're fortunate."

Jim Grote, CFP, contributes regularly to Financial Planning.